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BUSINESS
E-BRIEF

YOUR QUARTERLY FUND PERFORMANCE UPDATE
Quarter 1 | 2022

Member Centric · Credibility · Accountability · Agility · Self Driven & Motivated

DPF Q1, 2022 E-Brief

Q1, 2022 was a highly volatile quarter for global markets spurred by Russia's invasion of Ukraine in late February, and continued inflationary pressures. The Net Total Assets decreased by 4.69 percent from the historic BWP 10,236 billion mark in Q4, 2021 to BWP 9.565 billion in Q1 2022. The Russia-Ukraine war has been an unprecedented geopolitical crisis that has not only resulted in massive human casualties but has also disrupted and exacerbated an ailing world economy and weakened global financial markets. As the war erupted, global markets sold off significantly and the lingering effects of COVID-19, particularly inflation, which shot up significantly. Russia and Ukraine play extremely important roles in supplying major world commodities. Ukraine is a significant supplier of wheat and corn while Russia is a major supplier of oil, gas, and metals. The war has caused a sharp rise in commodity prices, despite the fact that world was already in a heighted inflationary environment. The war, coupled with China's Zero Covid Strategy, which implements very strict controls that include full or partial lockdowns where there are Covid-19 cases, has resulted in a significant bear market that has dampened global business sentiment. Policy makers around the world have taken swift action, rolling back the unprecedented monetary and fiscal stimulus that was initiated in 2020 at the height of the Covid pandemic. The top performing asset class for the Fund was Botswana Equities, which increased 4.34 percent (in BWP), a welcomed development for the Fund after significant periods of underperformance by this asset class. The next top performing asset class for Quarter 1 was Africa Private Equity, which rose 2.76 percent, followed by Botswana Bonds, which advanced 1.67 percent. Botswana Cash was the only other positive performing asset class for the quarter yielding 0.31 percent.

The following asset classes all had negative performance for the quarter, Botswana Property(-0.72 percent), Africa Equities (-3.79 percent), Global Bonds(-8.32 percent) , Global Cash(-2.74 percent) , Global Property(-8.38 percent), Emerging Market Bonds(-7.39 percent) , Global Equities(-8.80 percent) and Emerging Market Equities(-14.24 percent) . The worst performing Asset Class for the Quarter was China A Shares which declined by 21.46 percent. This highlights the precarious position of the global economy which continues to afflict global asset prices.

The Fund experienced negative performance in the first quarter of the year with the Market Channel declining by 5.24 percent, the Conservative Channel falling by 4.14 percent and the Pensioner Channel also yielding a negative 4.24 percent. During the period under review, returns remained consistent with Debswana Pension Fund's Life Stage Models investment strategy; whereby the most aggressive Market Channel declined the most while the more defensive Channels registered slightly better returns.

On a twelve-month basis, the Fund generated positive returns net of investment fees. In the 12 months to December 2021, the Fund returned a cumulative 3.27 percent. During the 12-month period, the Market Channel returned 3.97 percent, while the Conservative Channel returned 3.04 percent and the Pensioner Channel gained 2.14 percent. The Fund has generally performed well over the last 12 months but performance has been substantially impacted by the exogenous risk events that have occurred this past quarter.

Portfolio performance as at 31 March 2022

	Q4 2021	Q1 2022
Asset Class	**%Returns(Net)**	**%Returns(Net)**
Botswana Bonds	2.31%	1.67%
Botswana Cash	0.45%	0.31%
Botswana Equities	5.06%	4.34%
Botswana Property	0.66%	-0.72%
African Equities	4.50%	-3.79%
African Private Equity	-5.41%	2.76%
Global Bonds	2.08%	-8.32%
Global Cash	3.87%	-2.74%
Global Property	7.25%	-8.38%
Global Equities	8.28%	-8.80%
Emerging Market Bonds	2.42%	-7.39%
Emerging Market Equities	3.18%	-14.24%
China Funds	10.31%	-21.46%

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Benchmark Asset Class Returns as at 31 March 2022

ASSET CLASS	Benchmark	1M (%)	QTR (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)
Local Equities	Botswana Domestic Companies Index	1.50 ▲	4.28 ▲	4.28 ▲	21.23 ▲	5.38 ▲	3.68 ▲	1.31 ▲
Bonds	Fleming Aggregate Bond Index (FABI)	0.56 ▲	1.55 ▲	1.55 ▲	1.78 ▲	0.87 ▲	2.50 ▲	3.60 ▲
Global Equities	MSCI World (BWP)	0.92 ▲	-7.65 ▼	-7.65 ▼	14.47 ▲	27.64 ▲	17.45 ▲	14.39 ▲
Emerging Markets	MSCI EM	-3.99 ▼	-9.43 ▼	-9.43 ▼	-7.86 ▼	16.12 ▲	7.19 ▲	7.83 ▲
Global Property	FTSE EPRA/NAREIT Developed Rental Index- BWP	3.05 ▲	-6.81 ▼	-6.81 ▼	22.33 ▲	24.03 ▲	9.81 ▲	9.79 ▲
Global Bonds	Bloomberg Barclays GABI	-4.77 ▼	-8.63 ▼	-8.63 ▼	-2.70 ▼	-3.00 ▼	2.85 ▲	3.47 ▲
African Equities	FTSE/JSE African 30 (BWP)	-6.33 ▼	-10.48 ▼	-10.48 ▼	7.45 ▲	15.09 ▲	4.96 ▲	7.63 ▲
Exchange Rate	USD/BWP	-1.78 ▼	-2.63 ▼	-2.63 ▼	3.95 ▲	-2.00 ▼	2.15 ▲	1.75 ▲

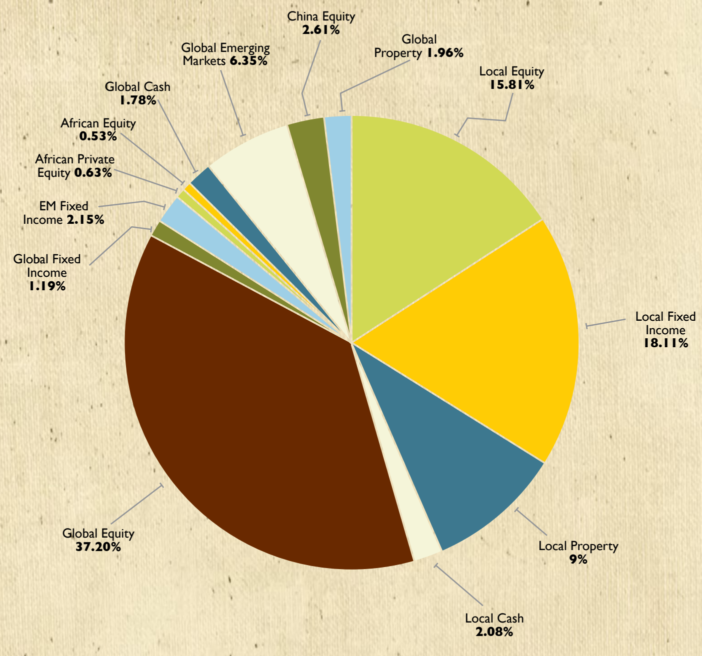
Inflation

The annual inflation rate declined from 10.6 percent in February, 2022 to 10 percent in March, 2022.

Interest Rates

At the meeting held on April 28, 2022, the Monetary Policy Committee (MPC) of the Bank of Botswana decided to increase the Monetary Policy Rate (MoPR) by 51 basis points. The bank has been prompted to act due to inflation of 10 percent in March, which remained above the Bank's medium-term inflation objective range of 3 - 6 percent. The bank stated that the current high level of inflation is mainly driven by supply-side factors which contribute about 7 percentage points to the prevailing inflation rate. The MPC projects that inflation will, in the short term, remain above the objective range but continue to trend downward in 2022 before reverting to within the objective range from the first quarter of 2023.

Asset Class Weights 31 March 2022



NB: Market performance results sourced from RISCURA

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Market Update

During the first quarter of 2021, global markets largely sold off with a slight recovery towards the end of the quarter. Most major markets such as the United States, the Euro Zone, and Japan, had negative performance for the quarter, underpinned by weak economic growth and corporate earnings. Earnings struggled with the Ukraine-Russia war, inflation and supply chain shortages. In the United States, the market sell of 2022 has wiped out more than USD 7 trillion in market value from the blue chip stocks in the S&P 500 stock market index. Technology has been one of the hardest hit sectors and nearly USD 3 trillion of the S&P 500's market capitalization drop is from the tech sector. European stocks were down mainly due to Europe's direct impact from the Russia-Ukraine war, particularly from Europe's reliance on Russia for oil and gas. Asia also faced challenges from the war, Japanese markets experienced weakness mainly due to expectations of a global interest rate hiking environment, particularly from the United States. Chinese markets experienced a very difficult first quarter of the year. The drivers of China equities sell off stemmed from sustained negative performance due to domestic macroeconomic challenges and global economic headwinds. Emerging Markets and Global Bonds were also significantly impacted by ongoing economic challenges. Global bond yields rose as central banks continued to remain on an interest rate hiking trajectory in a bid to combat inflation. During this period, Debswana Pension Fund's Assets Under Management (AUM) decreased to BWP 9,565 billion in March 2022. Global markets continue to face numerous headwinds as we move into Quarter 2. The impact of Russia-Ukraine war cannot be understated. The war creates near-term risks and creates uncertainty over the medium to long term. The war will continue to impact energy prices, food prices, and will disrupt supply chains. China's approach to combating Covid-19 outbreaks will also continue to be crucial in the global economic recovery. As previously stated, global central banks remain hawkish and will continue to slow and curtail global growth. Inflation remains a key concern moving forward. The current market dynamics continues to warrant caution, prudence and a disciplined investment strategy, which will safeguard consistent and positive returns.

Botswana Market Review – Quarter ended 31st March 2022

The real Gross Domestic Product increased 5.6 percent in Q4 2021 against a contraction of 4.6 percent in Q3 2020. The significant growth driver in the quarter the quarter under review was Public Administration and Defence generating 18.3 percent, followed by Mining & Quarrying by 11.9 percent. The increase in mining and quarrying was mainly driven by by the substantial increase in the diamond real value added by 19.8 percent and the reopening of Khoemacau Copper mine which started production in the third quarter of 2021.Overall various sectors had positive growth for the quarter, non-mining GDP increased 2.7 percent compared to a 0.9 percent decrease in Q3 2020. Construction rose by 11.8, wholesale & retail gained 11.3 percent, manufacturing advanced by 6.9 percent while finance, insurance and pension funding went up by 6 percent.

Business sentiment has been dampened due to a less favourable trading environment mainly due to heightened inflation and the challenges emanating from the Russia-Ukraine war. According to Bank of Botswana's Business Expectations Survey, Business expect lower sales, inventories and profit, as well as reduced capacity utilisation. Additionally businesses anticipate tight access to credit across all markets. Bank of Botswana forecasts inflation will average 8 percent in 2022 above the Bank's medium-term objective range of 3 – 6 percent. Inflation is expected to taper down but this scenario remains uncertain due to the current aforementioned risks (causes such as increases in commodity prices, particularly food and energy, due to the Russia/Ukraine war, supply side bottlenecks caused by Covid-19, and further adjustments to regular administered prices, as previously mentioned).